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CENTRAL INTELLIGENCE AGENCY

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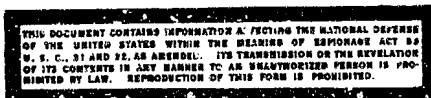
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CHINESE CAPITAL TRANSFERRED ABROAD;
KMT BUREAUCRATS LIQUIDATE HOLDINGS

China's bureaucratic capital is being transferred to seven main areas; the United States, Thailand, the Philippines, various countries of South America, Canada, Australia, and the islands of the South Seas with Singapore as the central point. The most important of all these are the US, Thailand, and the Philippines.

A recent estimate places the outflow during the last 3 months at 500 million US dollars. K'ung (H. H. Kung) and Sung (T. V. Soong) have nearly completed their removals, the US and Thailand being their chief repositories, with a small amount in Indonesia. Le Shuming, prominent banker, has his foreign holdings largely in Brazil and Mexico. Shou Mien-ch'eng, who holds a controlling interest in the Central Cooperative Bank, has his holdings in Thailand, Singapore, and Indonesia. Most of the capital of the Ch'en brothers is in Taiwan, with a small portion in the Philippines and Canada. The great bulk of Sun Fo's wealth is in the Philippines, with a small portion in Australia. The whereabouts of Yen Hsi-shan's capital is not known. There is a rumor that recently he has suffered heavy losses. He has some wealth in Taiwan and some in Hong Kong.

The capital of most of the lesser bureaucrats is in Indochina and Hong Kong. There are three main transfer points for fleeing bureaucratic capital, Hong Kong, Taiwan, and Hainan, with the Philippines as a lesser one.

Since 3 July 1949, only half of the outbound capital has been bureaucratic. The other half has been exported by persons frightened by the stories of KMT special agents of the dire things the CCP will practice on the wealthy.

Since the first part of July 1949, the daily flow of wealth to Hong Kong has averaged 5 million Hong Kong dollars with a high of 20 million. Most of this has been carried out personally in the form of Hong Kong currency, American currency, gold bars, and goods. Remittances have been low in volume. An estimate of the total during this period is 270 million to 300 million Hong Kong dollars, but the greatest amounts have not been included.

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The equivalent of 500,000 silver yuan a day flowed to Taiwan from early July to late August 1949. After the fall of Fuchou (Fochow) this flow ceased. Since then an unknown amount of bureaucratic capital has been flowing from Taiwan to Hong Kong and the Philippines. The equivalent of 1,500,000 to 1,700,000 US dollars has gone out from a bank owned by Sung by means of manipulation of the silver and gold market. After reaching Hong Kong this capital has been sent on to America through a certain trading company.

A still unconfirmed rumor has been circulating in Kuang-chou (Canton) that the four big banks of Kuang-chou were making their last outward shipment of capital, estimated at 6 million Hong Kong dollars. This is presumed to be the reason for the failure of a number of large weaving mills and exchange businesses.

Kwangsi Banks have most of their capital in goods, so that the flight of capital from them has been slight.

The story of the flight of the wealth of the Ma family in the Northwest is very interesting. Ma Hung-k'uei is reported recently to have sent 170,000 ounces of gold by special plane to Taihoku. Ma Pu-fang also is said to have sent abroad in gold and jewels the equivalent of 100 million Hong Kong dollars. More of their wealth is expected to continue to flow outward.

Recently rumors have been current in Kuang-chou that the equivalent of 20 million Hong Kong dollars has gone through that city from K'un-ming and Ch'ung-ch'ing (Chungking) as well as 70,000 ounces of gold. Wang Ling-chi and Teng Hsi-hou of Szechwan are reported to have exported the equivalent of 20 million Hong Kong dollars each.

While Yu Chang-kang is still sitting tight, his wife is said to have gone to Hong Kong with 6 million Hong Kong dollars. Chang Chia-ao has sent most of his capital to America. Very recently the last 4 million Hong Kong dollars has been sent out.

There are a great many others whose capital, secured from the sale of properties, amounts to from 100,000 to 200,000 yuan. Their destinations are Hong Kong or Indochina. A number of those closely connected with the Chiang dynasty and Ch'en Chi-t'ang have sent out a half million or more Hong Kong dollars.

The outflow of capital continues and becomes more frantic as the rumors of CCF penetration of Kwangtung fly faster. A Kuang-chou newspaper reported that on 28 August not less than the equivalent of 30 million Hong Kong dollars flowed to Hong Kong. Doubtless bureaucratic capital accounted for most of this.

Note should be taken from now on of (1) the movements of bureaucrats subsequent to their arrival in Hong Kong, (2) the movements or hiding places of their capital abroad, and (3) the protection offered by imperialist powers and its effect upon the capital of regular overseas Chinese.

It is certain that the sale of industrial plants by bureaucrats in practically completed. This report deals only with conditions of the last 2 months. A member of a certain banking firm estimates the income from such sales, during the last 2 months, to be 100 million Hong Kong dollars. This is probably nearer the truth than some reports placing the amount as high as 300 million. Actually, in recent years the bureaucrats have been converting their capital into currency and investing it less and less in industry. Few factories are now operated by bureaucrats. Among those remaining, the largest are the Tung-kuan Sugar Mill and Nan-yang Tobacco Company. The Tung-kuan Sugar Mill is a side line of Yu Han-mou. He, however, has only a small investment of approximately 250,000 Hong Kong dollars in it. The company has recently disposed of about 900,000 Hong Kong dollars worth of stock. This money has been taken to Hong Kong by Yu's relatives.

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As for Sung Tzu-wen's Nan-yang Tobacco Company, one story has it that Sung has ordered the equipment and raw materials of the company's Kuang-chou factory, valued at 30 million Hong Kong dollars, to be removed to Hong Kong with a view to moving it eventually to Batavia. There are other stories, but the central feature of all is that, in one way or another, Sung has removed his capital in this enterprise from Kuang-chou.

The Shen-hsin Weaving Mill, belonging to Yen Hsi-shan, has been moved to Thailand. The Kwangtung Trust Company, one half owned by overseas Chinese and one half by bureaucrats, a very paying concern, has recently on advice of official stockholders reduced its Kwangtung activities and transferred 500,000 US dollars to the Philippines.

The Ch'en brothers recently sold their trading company in Kuang-chou to two private businessmen. Only after the deal did these men learn they had bought bureaucratic property and they are now very unhappy over their purchase.

The Pang-~~?~~ Chung Tobacco Factory in Shang-hai is a bureaucratic enterprise formerly closely connected with Sung. It is now being removed to Hong Kong. If the prospects in Hong Kong appear poor it will be moved farther. Its equipment is all new and entirely modern.

The ~~?~~-hsing Leather Factory, a Sung property, has been recently removed from Shang-hai to the Philippines and is operating jointly with a large leather factory there. It is valued at 2 million Hong Kong dollars.

Recently the private stockholders in the Ya-tung Soda Water Factory, the Yung - ~~?~~ Ice Plant and two rubber and match factories were frightened into buying the bureaucratic shares in the companies. The bureaucratic capital in several large distilleries has also recently been sold to private investors.

Certainly highly placed bureaucrats have recently sold their residences to government banks in which they have controlling interests. Lesser bureaucrats have thrown their residences on the open market, some taking losses up to 75 percent in their haste to unload.

Seven million Hong Kong dollars worth of cotton yarn belonging to Sun interests has been stored in Chiu-lung (Kowloon) warehouses and is being sold at attractive prices to businessmen. Some of it has been transported to the Philippines.

Cotton cloth holdings of Sun and the Ch'en brothers are enormous, the latter being said to have 2 million Hong Kong dollars worth.

Bureaucratic vegetable oil factories have been an important holding now being disposed of.

Recently the KMT governor of Kiangsi, Fang T'ien, and bureaucratic friends in Kwangsi transported 360 tons of wolfram ore and 300 tons of tin to Hong Kong. These minerals are worth not less than 8 million Hong Kong dollars, which easily represents a profit of 2 million Hong Kong dollars for Li Taung-jen and Pai Ch'ung-hsi.

Since early June large-scale smuggling operations have been going on in the remaining stocks of various firms, including supplies of wood oil, vegetable oils, wolfram, tin ingots, miscellaneous foreign goods, granulated sugar, machinery, pharmaceuticals, and industrial raw materials. These shipments are disguised by being covered over with personal effects, cars, etc. These shipments are valued at from 60,000 to more than 300,000 Hong Kong dollars each, with some estimates of a total of 40 million Hong Kong dollars.

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There is also an extensive clandestine sale of government property as follows:

1. 110,000 tons of fertilizer obtained as relief supplies and intended to be loaned to farmers. It had been in the custody of the China Farmers Bank and the Cooperative Bank. The Ch'en interests, realizing that the end is near, have been throwing it on the market shamelessly in Hong Kong and Kuang-chou, even running large newspaper advertisements. It is estimated that the Ch'en interests have realized more than 10 million yuan from these sales, which has been sent to Indonesia for investment in land and industries.

2. Japanese-surrendered supplies such as wireless equipment, tents, cloth, and paper. These have been stored in 16 or 17 warehouses in Kuang-chou, the contents of each warehouse being valued at from 150,000 to 300,000 Hong Kong dollars. It has all been sold and the funds applied to personal uses.

3. Fishing equipment, consisting of engines, lumber, cloth, and cold-storage equipment. This has been offered recently at greatly reduced prices by the Bureau of Fisheries. In spite of the low price it has not sold well.

Pei-p'ing 11 September -- The nearly defunct KMT is now adding to its crimes by moving both public and private wealth out of the country to Taiwan, the Philippines, Thailand, South America, and the US. In the Philippines, the Philippine Bank of Communications has been chartered by the government of the islands and the funds of that bank in China are being removed there. The Kuang-chou Military Uniform Factory and the 17th Arsenal are being moved to Yu-lin in Hainan. The workmen are said to be opposed to these moves. A number of incidents of violence in this connection have been reported recently. The Ministry of Economics has ruled that in all areas close to fighting fronts all products of military importance, metals, raw materials, and exportable items will be removed to Taiwan, Hong Kong, Kwangtung, Kuei-yang, or Ch'ung-ch'ing.

The KMT authorities are also levying enormous supplies of food stuffs from the farmers; for instance in Szechwan alone this year's levy is 4,500,000 shih tan [one shih tan equals 110 pounds].

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